

BN Boligkreditt AS

**INTERIM REPORT
3RD QUARTER | 2012**

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Highlights of year to end of Q3 2012

(Figures compared with year to end of Q3 2011)

- Profit after tax of NOK 6 million (NOK 19 million)
- Return on equity after tax of 2.7 per cent (8.9 per cent)
- Impairment losses on loans recognised in income totalling NOK 4 million (NOK 1 million recognised in income)
- Tier 1 capital ratio of 110.7 per cent (28.7 per cent)
- The balance sheet has been considerably reduced during the three quarters to 30 September 2012 as a result of the company's largest borrowings maturing and a change in debtor

Financial Ratios

NOK MILLION	NOTE	30.09.12	30.09.11	FULL-YEAR 2011
Summary of results				
Net income from interest and credit commissions		17	34	44
Total other operating income		-8	-4	-2
Total income		9	30	42
Total other operating expense		5	5	6
Operating profit/(loss) before impairment losses		4	25	36
Impairment losses on loans and advances		-4	-1	0
Profit/(loss) before tax		8	26	36
Computed tax charge		2	7	10
Profit/(loss) for the period		6	19	26
Profitability				
Return on equity	1	2.7 %	8.9 %	35.7 %
Net interest margin	2	1.14 %	1.41 %	5.90 %
Cost-income ratio	3	55.6 %	16.7 %	14.3 %
Balance sheet figures				
Gross lending		235	2 140	2 008
Increase/decrease in lending (gross) last 12 months		-89.0 %	-22.4 %	-28.0 %
Average total assets (ATA)	4	1 989	3 209	2 982
Total assets		655	2 745	2 727
Losses on loans and non-performing loans				
Loss ratio lending	5	-0.02 %	0.00 %	0.00 %
Non-performing loans as a percentage of gross lending		0.00 %	0.37 %	0.75 %
Other doubtful commitments as a percentage of gross lending		0.00 %	0.00 %	0.00 %
Solvency				
Capital adequacy ratio		140.8 %	36.4 %	39.4 %
Tier 1 capital ratio		110.7 %	28.7 %	31.5 %
Tier 1 capital		278	285	303
Capital base		354	361	379
Shares				
Earnings per share for the period (whole NOK)		13.33	42.22	57.78

Notes

1) Profit after tax as a percentage of average equity

2) Total net interest margin to date this year in relation to average total assets (ATA)

3) Total operating expense as a percentage of total operating income

4) Average total assets (ATA) are calculated as an average of quarterly total assets and as at 1 January and 31 December

5) Net loss as a percentage of average gross lending to date this year

Report of the Directors

Summary of results for the three quarters to 30 September 2012

BN Boligkreditt AS (BN Boligkreditt) posted a profit after tax of NOK 6 million for the three quarters to 30 September 2012, compared with NOK 19 million for the same period of 2011.

The Company's balance sheet was considerably reduced during the first three quarters of 2012 as a result of its largest borrowings maturing and a change in debtor.

BN Boligkreditt's funding situation is good, and the Company remains well capitalised.

Operations, objectives and strategy

BN Boligkreditt is licensed by the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. BN Boligkreditt is BN Bank's credit institution for the issuance of covered bonds.

The Company's strategy is to issue covered bonds on the basis of BN Bank's well-secured residential mortgage loans and to provide the BN Bank Group with access to this financing instrument. The objective is to facilitate effective and more diversified funding of the Group's businesses.

BN Boligkreditt does not provide loans itself, but procures residential mortgage loans from BN Bank. The Company procures loans that qualify for issuing covered bonds. The maximum loan disbursed at the date of acquisition is 75 per cent loan-to-value ratio. The loan portfolio consists of variable-rate residential mortgage loans and credit lines secured on dwellings.

BN Boligkreditt was established in 2007 and acquired its first loan portfolio in January 2008.

BN Boligkreditt's head office is in Trondheim. The Company's borrowers are geographically spread, but concentrated in the largest Norwegian towns and cities.

Economic developments

BN Boligkreditt presents its financial statements in compliance with International Financial Reporting Standards (IFRS).

Profit performance for the year to the end of Q3 2012

BN Boligkreditt posted a profit after tax of NOK 6 million for the three quarters to 30 September 2012, compared with a post-tax profit of NOK 19 million for the same period of 2011. The decrease in profit is attributable to a fall in the volume of lending and a decrease in changes in the value of financial instruments.

Net interest income for the three quarters to 30 September 2012 was NOK 17 million, compared with NOK 34 million for the period to 30 September 2011.

Operating expense totalled NOK 5 million for the three quarters to 30 September 2012, which is on a par with the same period of 2011. The Company purchases all its operation management services from BN Bank.

The Company had no non-performing loans as at 30 September 2012, while non-performing loans accounted for 0.75 per cent of gross lending as at 31 December 2011.

Impairment losses on loans were recognised in income in the sum of NOK 4 million for the three quarters to 30 September 2012. This is owing to a lower volume of lending and a reversal of collective write-downs following the Company's adoption of the Sparebank 1 Consortium's calculation model for retail lending. Collective write-downs amounted to NOK 2 million as at 30 September 2012. Given the low risk attached to the Company's mortgage loan operations, the current loan loss provisions are considered adequate.

Profit performance for Q3 2012

BN Boligkreditt posted a post-tax result of NOK 0 million for the third quarter of 2012, compared with a post-tax loss of NOK 1 million for the second quarter of 2012. The fall in profit is attributable to a decrease in the volume of lending and a decrease in changes in the value of financial instruments.

Net interest income for the third quarter of 2012 totalled NOK 2 million, down from NOK 6 million for the second quarter.

Third-quarter operating expense was NOK 1 million, down NOK 1 million from the previous quarter.

Balance Sheet

Gross lending as at 30 September 2012 totalled NOK 235 million, which is a decrease of NOK 1.9 billion on the past 12 months.

Debt securities in issue as at 30 September 2012 totalled NOK 248 million, which is NOK 1.9 billion down on the past 12 months.

Solvency

BN Boligkreditt's capital adequacy ratio as at 30 September 2012 was 140.8 per cent, while the tier 1 capital ratio was 110.7 per cent.

Outlook

BN Boligkreditt has previously announced that it wishes to transfer its borrowings to SpareBank 1 Boligkreditt. In June 2012, BN Boligkreditt received permission from the bondholders in one of the Company's remaining bond issues to change debtor in favour of SpareBank 1 Boligkreditt. In the case of the Company's two remaining bond issues, attendance at the bondholders' meeting was insufficient to secure support for a similar change of debtor.

The Company will seek to hold new bondholders' meetings for these two bond issues during the fourth quarter of 2012.

Trondheim, 22 October 2012
The Board of Directors

Svend Lund
(Chair)

Kjell Fordal
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Sørås
(Managing Director)

Income Statement

NOK MILLION	NOTE	Q3 2012	Q3 2011	30.09.2012	30.09.2011	FULL-YEAR 2011
Interest and similar income		5	24	50	76	101
Interest expense and similar charges		3	13	33	42	57
Net income from interest and credit commissions		2	11	17	34	44
Change in value financial instruments at fair value, gains & losses	2	-1	0	-8	-4	-2
Total other operating income		-1	0	-8	-4	-2
Salaries and general administrative expenses		1	1	5	5	6
Total other operating expense		1	1	5	5	6
Operating profit/(loss) before impairment losses		0	10	4	25	36
Impairment losses on loans and advances	4	0	-1	-4	-1	0
Profit/(loss) before tax		0	11	8	26	36
Computed tax charge		0	3	2	7	10
Profit/(loss) for the period		0	8	6	19	26

Balance Sheet

NOK MILLION	NOTE	30.09.12	30.09.11	FULL-YEAR 2011
Deferred tax assets		1	1	0
Loans and advances	4, 8	233	2 135	2 002
Financial derivatives		20	36	40
Cash and balances due from credit institutions		401	573	685
Total assets		655	2 745	2 727
Share capital		101	101	101
Share premium		174	174	174
Other reserves	3	7	20	28
Total equity		282	295	303
Deferred tax		0	0	9
Subordinated loan capital		76	76	76
Liabilities to credit institutions		48	206	211
Debt securities in issue	5	248	2 158	2 127
Customer deposits & accounts payable to customers		1	10	1
Tax payable		0	0	0
Total liabilities		373	2 450	2 424
Total equity and liabilities		655	2 745	2 727

Trondheim, 22 October 2012
The Board of Directors

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2011	101	174	7	282
Group contribution paid to Parent Bank	0	0	-6	-6
Result for the period	0	0	19	19
Balance Sheet as at 30 September 2011	101	174	20	295
Result for the period	0	0	8	8
Balance Sheet as at 31 December 2011	101	174	28	303
Group contribution paid to Parent Bank	0	0	-27	-27
Result for the period	0	0	6	6
Balance Sheet as at 30 September 2012	101	174	7	282

Trondheim, 22 October 2012
The Board of Directors

Statement of Cash Flows

NOK MILLION	30.09.12	30.09.11	FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	38	66	85
Interest received on other investments	33	20	18
Interest paid on other loans	-70	-58	-63
Receipts/disbursements (-) on loans and advances to customers	1 768	647	780
Receipts/payments (-) on liabilities to credit institutions	-205	-122	-122
Receipts/payments (-) on securities in issue	-1 847	-439	-476
Other receipts/payments	33	-7	0
Payments to suppliers for goods and services	-5	-5	-6
Tax paid	-2	0	-2
Net cash flow from operating activities	-257	102	214
Cash flows from investing activities			
Net cash flow from investing activities	0	0	0
Cash flow from financing activities			
Dividend/group contribution paid	-26	-5	-5
Net cash flow from financing activities	-26	-5	-5
Net cash flow for the period	-283	97	209
Cash and balances due from central banks as at 1 January	684	476	476
Cash and balances due from central banks at the end of the period	401	573	685

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NOTE 1. ACCOUNTING POLICIES

The first-half interim financial statements for the period 1 January to 30 June 2012 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the interim financial statements are based is provided in the Annual Report for 2011.

NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

NOK MILLION	Q3 2012	Q3 2011	30.09.12	30.09.11	FULL-YEAR 2011
Change in value int. rate deriv. oblig. carried at fair value thro profit/loss	1	3	-4	-8	-11
Change in value borrowings selected for fair value carrying thro profit/loss	-1	-2	4	8	13
Total change in value of financial instruments carried at fair value	0	1	0	0	2
Realised exch. gains/losses (-) bonds & certificates at amortised cost	-1	-1	-8	-4	-4
Total change in value of financial instruments, gains and losses	-1	0	-8	-4	-2

NOTE 3. CHANGES IN EQUITY

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 37 million before tax.

NOTE 4. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2011. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, the Company can however gain access to revenue.

NOK MILLION	Q3 2012	Q3 2011	30.09.12	30.09.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	0	0	0	0
Write-offs on loans without prior write-downs	0	0	0	0	0
Write-downs for the period:					
Change in collective write-downs	0	-1	-4	-1	0
Total change in collective write-downs	0	-1	-4	-1	0
Increase in loans with prior-year write-downs	0	0	0	0	0
Provisions against loans without prior write-downs	0	0	0	0	0
Decrease in loans with prior-year write-downs	0	0	0	0	0
Total change in individual write-downs	0	0	0	0	0
Gross impairment losses	0	-1	-4	-1	0
Recoveries on previous write-offs	0	0	0	0	0
Impairment losses on loans and advances	0	-1	-4	-1	0
Revenue recognition of interest on written-down loans	0	0	0	0	0

NOK MILLION	Q3 2012	Q3 2011	30.09.12	30.09.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	0	0	0	0	0
Write-offs covered by prior-year individual write-downs	0	0	0	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	0	0	0	0	0
Write-downs on loans without prior individual write-downs	0	0	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	0	0	0
Individual write-downs to cover impairment losses at end of the period	0	0	0	0	0
Collective write-downs to cover impairment losses at start of the period	2	6	6	6	6
Collective write-downs for the period to cover impairment losses	0	-1	-4	-1	0
Collective write-downs to cover impairment losses at end of the period	2	5	2	5	6

Loans past due more than 3 months

NOK MILLION	30.09.12	30.09.11	FULL-YEAR 2011
Gross principal	0	8	14
Individual write-downs	0	0	0
Net principal	0	8	14

Other loans with individual write-downs

NOK MILLION	30.09.12	30.09.11	FULL-YEAR 2011
Gross principal	0	0	0
Individual write-downs	0	0	0
Net principal	0	0	0

Loans past due more than 3 months by sector and as a percentage of loans

NOK MILLION	GROSS OUTSTANDING 30.09.12	%	GROSS OUTSTANDING 30.09.11	%	GROSS OUTSTANDING 2011	%
Retail market	0	0.00	8	0.37	15	0.75

NOTE 5. BORROWING (FUNDING)**Debt securities in issue**

The Company had issued no bonds or certificates as at 30 September 2012.

Fixed-rate borrowings are carried in the balance sheet at fair value, while floating-rate borrowings are carried at amortised cost.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	0	2 076	2 076
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-505	-505
Net debt (face value) as at 31 March 2012	0	1 571	1 571
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-1 343	-1 343
Net debt (face value) as at 30 June 2012	0	228	228
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2012	0	228	228

Recognised values

NOK MILLION	30.09.12	30.09.11	FULL-YEAR 2011
Bonds carried at amortised cost	0	1 317	1 318
Bonds selected for fair value carrying	248	841	809
Total recognised value of bonds	248	2 158	2 127
Total recognised value of debt securities in issue	248	2 158	2 127

NOTE 6. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

The capital adequacy requirements for BN Boligkreditt are part of the overall assessments made by BN Bank's Board of Directors for the entire Group.

NOK MILLION	30.09.12	30.09.11	FULL-YEAR 2011
Share capital	101	101	101
Other reserves	178	185	202
Less:			
Deferred tax assets	-1	-1	0
Tier 1 capital	278	285	303
Fixed-term subordinated loan capital	76	76	76
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Net tier 2 capital	76	76	76
Total capital base	354	361	379
Risk-weighted assets	252	991	962
Tier 1 capital ratio (%)	110.7	28.7	31.5
Capital adequacy ratio (%)	140.8	36.4	39.4

Specification of risk-weighted assets

NOK MILLION	30.09.2012		30.09.2011		FULL-YEAR 2011	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	0	0	0	0	0	0
10 %	0	0	0	0	0	0
20 %	422	84	609	122	722	144
35 %	247	86	2 185	765	2 060	721
50 %	0	0	0	0	0	0
75 %	0	0	0	0	0	0
100 %	81	81	104	104	97	97
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments inc. in trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	750	252	2 898	991	3 477	962
Capital adequacy ratio (%)		140.8		36.4		39.4

NOTE 7. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

There are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Company's financial position and results. There were no significant events after the reporting period.

NOTE 8. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkredit is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskredit AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have a rating of Aaa and AAA from Moody's and Fitch respectively. SpareBank 1 Boligkredit procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to SpareBank 1 Boligkredit and, as part of the Bank's funding strategy, loans have been transferred to the company. At 30 September 2012, the book value of transferred loans was NOK 6.4 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

NOTE 9. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Interest and similar income	5	20	25	25	24
Interest expense and similar charges	3	14	16	15	13
Net income from interest and credit commissions	2	6	9	10	11
Change in value of financial instruments at fair value, gains and losses	-1	-6	-1	2	0
Total other operating income	-1	-6	-1	2	0
Salaries and general administrative expenses	1	2	2	1	1
Total other operating expense	1	2	2	1	1
Operating profit/(loss) before impairment losses	0	-2	6	11	10
Impairment losses on loans and advances	0	0	-4	1	-1
Profit/(loss) before tax	0	-2	10	10	11
Computed tax charge	0	-1	3	3	3
Profit/(loss) for the period	0	-1	7	7	8



To the Board of Directors of BN Boligkreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of BN Boligkreditt AS as of 30 September 2012 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 22 October 2012

PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Statement in accordance with the Norwegian Securities Trading Act, section 5-6

We certify that, to the best of our knowledge and belief, the Company's third-quarter interim financial statements for the period 1 January to 30 September 2012 have been prepared in compliance with IAS 34 Interim Financial Reporting and that the disclosures in the financial statements give a true and fair view of the Company's assets, liabilities, financial position and performance as a whole.

To the best of our knowledge and belief, the third-quarter financial statements give a true and fair view of important events during the accounting period and their effect on the interim accounts, and a description of the most significant risks and uncertainty factors facing the Company in the next accounting period.

Trondheim, 22 October 2012
The Board of Directors

Svend Lund
(Chair)


Kjell Fordal
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Søråas
(Managing Director)



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